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TO: Common Manual Recipients

FROM: Carolyn Small, Coordinator/Policy

DATE: March 19, 2004

SUBJECT: Common Manual Updates

Enclosed are the most recent summaries of policy updates approved by the Common Manual Governing Board on February 19, 2004, and a new running index of updates to the July 2003 reprint of the Common Manual.

You also may want to view an integrated version of the electronic Common Manual on the Missouri Department of Higher Education web site. The Integrated Common Manual is a particularly useful reference tool, since it includes new policy language shown by underlined text and deleted language shown by strike-outs. In addition, it contains a special feature: a note box, next to text that has been changed, which includes the effective date and triggering event. At the bottom of each page on which a change has occurred, you will find the policy reference number, batch number and the Governing Board approval date. The Integrated Common Manual is provided as a supplement to the enclosed Common Manual updates. You may view the electronic version of the July 2003 Common Manual, all policy updates to the July 2003 Manual that have been distributed to date, and the Integrated Common Manual at www.dhe.mo.gov/publications/icminfo.htm. MDHE participants are notified that new policy updates have been added to the Integrated Common Manual through a notice posted to the MDHE E-Distribution list. You may subscribe to this list by visiting the subscription page online at www.dhe.mo.gov/mdhedigest/signup.htm.

If you have questions about the content of the Common Manual, monthly policy updates, or the electronic Integrated Common Manual, contact Carolyn Small, coordinator - policy analyst, at (573) 751-1767.

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If you have any questions about this publication of *Common Manual* Updates, please contact the MDHE Information Center at (800) 473-6757 or (573) 751-3940.

Running Index of Updates for July 2003 *Common Manual*, through February 19, 2004.

Furnished by the Missouri Department of Higher Education - Student Loan Program



Policy Changes Approved February 19, 2004

Unified Student Loan Policy

Batch 111: Proposal 751-760

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update in July 2004. These changes will also be incorporated into the January 2004 *Integrated Common Manual*. The *Integrated Common Manual* is available on the MDHE web site at www.dhe.mo.gov/Publications/cminfo.htm. Please carefully note the effective date of each policy change.

Eligibility Requirements for Home-Schooled Students

The *Common Manual* has been revised to include information indicating that a student may self-certify that he or she has at least a high school diploma or the recognized equivalent of a high school diploma, or that he or she has completed a secondary school education in a home-school setting. In addition, language was added to clarify that federal regulations do not require a home-schooled student to pass an ability-to-benefit test approved by the Department in order to qualify for Title IV assistance. An underage home-schooled student is considered to be beyond the age of compulsory school attendance in the state in which the postsecondary school is located if that state does not consider the student to be truant once he or she has completed a home-school program, or if that state would not require the student to attend school or continue to be home-schooled.

Affected Section:	5.1.B Student Eligibility Requirements
Effective Date:	Provisions permitting students to self-certify the receipt of a high school diploma or GED are effective for any loan period beginning on or after July 1, 1996. Provisions applicable to home-schooled students are applicable for loans certified by the school on or after November 27, 2002.
Basis:	DCL GEN-02-11.
Policy Information:	751/Batch 111
Guarantor Comments:	None

Batch 111: Proposal 751-760

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Effects of Consolidation Loan on New Stafford Loan Eligibility

The *Common Manual* is being revised to conform with federal regulations and policy guidance in *Dear Colleague Letter* GEN 03-12 regarding the treatment of Consolidation loans with respect to Stafford loan aggregate loan limits. The revised policy continues to support that portions of a Consolidation loan that are attributed to subsidized and unsubsidized Stafford loans must be included when calculating the student's aggregate loan balance. The financial aid administrator (FAA) should use the National Student Loan Data System (NSLDS) or loan records provided by the student to determine the portion of the Consolidation loan that should be applied to the subsidized Stafford loan limit and the portion that should be applied to the unsubsidized Stafford loan limit.

The NSLDS identifies the underlying loans of the Consolidation loan and uses those loan amounts to allocate the current outstanding principal balance between subsidized Stafford, unsubsidized Stafford and combined aggregate Stafford amounts, excluding Perkins and PLUS loans from the aggregate computations. The NSLDS then subtracts the total of the calculated subsidized and unsubsidized outstanding balance amounts from the actual outstanding balance of the Consolidation loan. Any remaining balance is considered to be "unallocated." Unallocated amounts occur when, with the information that has been provided by data providers, the NSLDS is unable to account for the full amount of the outstanding balance of the Consolidation loan.

If the borrower's outstanding loan balance is close to the aggregate Stafford loan limits, the FAA must also review any remaining balance of a Consolidation loan that is reported by the NSLDS as unallocated. No additional action is necessary if the FAA can assume that the unallocated amount is from either subsidized or unsubsidized Stafford loans and if, when the unallocated amount is added to the reported aggregate Stafford loan amounts, such an assumption would not affect the amount of a new Stafford loan the student would otherwise be eligible to receive. If this assumption changes the amount of a new Stafford loan for which a student may be eligible, the FAA must verify the unallocated amount. Unallocated amounts may represent any of the following:

- Capitalized interest that is included in the Consolidation loan. Capitalized interest does not count toward a borrower's aggregate limits. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents capitalized interest, the FAA may deduct that portion from the reported aggregate amounts.
- An underlying Health and Human Services (HHS) loan that is included in the Consolidation loan. HHS loans are not reported to the NSLDS and are not, therefore, automatically excluded from the aggregate calculations. If the FAA determines that all or a portion of the

unallocated amount reported by the NSLDS represents an underlying HHS loan, the FAA may deduct that portion from the reported aggregate amounts.

- An underlying loan that is from the borrower's spouse that is included in the Consolidation, in the case of a joint Consolidation loan. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying loan that is from the borrower's spouse, the FAA may deduct that portion from the reported aggregate amounts.
- An underlying FFELP or FDLP loan that has not yet been added to the NSLDS because of an edit condition that occurred when the information was sent to the NSLDS, but that is included in the Consolidation loan. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying Stafford loan that does not yet appear on the NSLDS, the FAA must add that portion to the reported aggregate amounts.

After identifying the underlying subsidized and unsubsidized Stafford loans, including amounts previously identified as unallocated, those outstanding principal balance amounts must be allocated to the proper aggregate loan limit for each Stafford loan type (subsidized or unsubsidized) when determining new Stafford loan eligibility. If the FAA has included or excluded all or a portion of an unallocated amount, the school must document its findings and calculations for audit purposes.

A school is only responsible for the financial aid history information that is available from the NSLDS at the time it delivers aid to the student. If the school receives written documentation that confirms that a student is eligible for additional aid, the school may deliver the aid without waiting for the NSLDS to be updated.

Affected Section:	6.11.F Effects of Consolidation Loan on New Stafford Loan Eligibility
Effective Date:	Stafford loans certified by the school based upon information received from NSLDS on or after October 20, 2003.
Basis:	§682.204(j); DCL GEN-03-12.
Policy Information:	752/Batch 111
Guarantor Comments:	None



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Use of Comaker

The manual has been revised to align text with regulatory language and to add, where appropriate, clarification that the term "comaker" refers to one of two parents who were joint borrowers of a PLUS loan made prior to April 16, 1999. The glossary was also updated to reflect the regulatory definition of "comaker."

Affected Sections:	7.1.B Creditworthiness 10.1.A General Deferment Eligibility Criteria Introduction to chapter 11 12.8 Discharge appendix G
Effective Date:	Effective for PLUS loans made on or after April 16, 1999.
Basis:	§682.200(b); <i>Federal Register</i> , Vol. 64, no. 73, dated April 16, 1999.
Policy Information:	753/Batch 111
Guarantor Comments:	None



Unified Student Loan Policy

Policy Changes Approved February 19, 2004

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Delayed Delivery Exemption for Study-Abroad Programs

The *Common Manual* has been revised to include the delayed delivery exemption for an eligible home school that has students enrolled in a study-abroad program and that has a published cohort default rate of less than 5% for the most recent fiscal year for which information is available. The home school must cease certifying loans based upon this exemption no later than 30 days after the date that it receives notice from the Department of a FFELP cohort default rate, FDLP cohort default rate, or dual-program cohort default rate that causes the school to no longer qualify for this exemption.

Affected Section:	8.7.D Delayed Delivery
Effective Date:	Disbursements received by the school on or after October 1, 1998.
Basis:	HEA 428G(e); §682.603(g)(2); §682.604(c)(5)(ii).
Policy Information:	754/Batch 111
Guarantor Comments:	None



Unified Student Loan Policy

Policy Changes Approved **February 19, 2004**

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Special Allowance Chart

The *Common Manual* has been updated to remove the July 1, 2003, ending effective date for special allowance codes that correspond to variable rate loans.

Affected Section: appendix A
Effective Date: February 8, 2002.
Basis: HEA 438(b)(2)(I); Public Law 107-139.
Policy Information: 755/Batch 111
Guarantor Comments: None



Unified Student Loan Policy

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Borrower Eligibility and Default

The *Common Manual* has been updated to include the requirement that a lender is responsible, when determining eligibility for a PLUS loan, for confirming that neither the borrower nor the dependent student currently owes on a defaulted loan held by the lender for which a claim has not been filed.

Affected Section:	7.1.A General Determinations
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§668.35; §682.201(b)(1)(iv); §682.206(c).
Policy Information:	756/Batch 111
Guarantor Comments:	None



Batch 111: Proposal 751-760

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Delayed Delivery Requirements

The *Common Manual* has been updated to state that the school must not deliver the first disbursement of a Stafford loan to a first-year undergraduate student who is enrolled in the first year of a program of study and who has not previously received a Stafford (FFELP or Direct) or SLS loan until the student completes the first 30 days of his or her program of study. This change is being made to more closely align language in the manual with language in the federal regulations.

Affected Section: 8.7.D Delayed Delivery
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.604(c)(5).
Policy Information: 757/Batch 111
Guarantor Comments: None



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Deferment of Loans in Delinquency or Default

The *Common Manual* has been revised to provide centralized locations in subsections 10.1.F and 10.1.G for all applicable policy regarding the deferment of delinquent and defaulted loans, respectively.

Revised policy in subsection 10.1.F also explains that a lender may grant a discretionary or administrative forbearance when a deferment does not resolve a delinquency and includes cross-references to subsections 10.19.F and 10.19.G for more information. The text of subsection 10.1.A about deferment of a delinquent or defaulted loan has been revised to be consistent with the text in subsections 10.1.F and 10.1.G. Finally, subsection 11.3.B has been enhanced by providing new cross-references to subsections 10.1.F and 10.1.G for policy on the deferment of delinquent and defaulted loans, and subsections 11.4.A and 11.4.B for information about collection activities required for a rolling delinquency.

Affected Sections:	10.1.A General Deferment Eligibility Criteria 10.1.F Deferment of Delinquent Loans 10.1.G Deferment of Defaulted Loans 11.3.B Deferment Eligibility
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.210(a)(7) and (8); §682.211(f)(2) and (9).
Policy Information:	758/Batch 111
Guarantor Comments:	None



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Mandatory Forbearance for Teacher Loan Forgiveness Program

The *Common Manual* has been revised to remove the 5-year limit on the length of time a borrower may receive forbearance while performing qualifying teacher service under the Teacher Loan Forgiveness Program.

Affected Section: Figure 10-2 Forbearance Eligibility
Effective Date: Forbearance granted by the lender under the Teacher Loan Forgiveness Program retroactive to October 1, 1998.
Basis: §682.215(e).
Policy Information: 759/Batch 111
Guarantor Comments: None



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Filing Time Frames for Claims and Discharge

Figure 12-3, "Timely Filing Deadlines for Claims and Discharges," has been added to the *Common Manual* to provide an at-a-glance summary of all timely filing deadlines for claims and discharges. Each summary statement includes a cross-reference to the subsection that provides comprehensive policy guidance for each claim or discharge type.

Affected Section: 12.8.F Unpaid Refund Discharge
Effective Date: None.
Basis: §682.402.
Policy Information: 760/Batch 111
Guarantor Comments: None